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In the Supreme Court of the United States

OCTOBER TERM, 1975

SAUNDERS ARCHERY COMPANY, Substituted for CHARLES SAUNDERS d/b/a SAUNDERS ARCHERY CO.,

Petitioner,

vs.

WRIST-ROCKET MANUFACTURING CO., INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

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Petitioner, Saunders Archery Company, appellee and cross-appellant in the court below, prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Eighth Circuit entered in this case.

Opinions Below

The opinion of the Eighth Circuit, dated May 12, 1975, reported unofficially in 186 U.S.P.Q. 5, is set forth in Appendix A. Rehearing was denied on June 9, 1975, and notice thereof is set forth in Appendix B. The District

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Court Memorandum Opinion of May 30, 1974 as amended August 2, 1974 (reported at 379 F. Supp. 902 and 183 U.S.P.Q. 17), is set forth in Appendix C. The District Court's Order of May 30, 1974, is set forth in Appendix D.

Jurisdiction

The Court of Appeals entered its judgment on May 12, 1975 (App. A). Petition for rehearing, timely filed, was denied on June 9, 1975 (App. B). The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1) and Rule 22.3 of the Rules of this Court.

Questions Presented

1. Is the federal court prohibited from exercising its express statutory authority (15 U.S.C. 1119) to rectify the Patent Office trademark register by cancelling a trademark registration when the registration is "incontestable" but was obtained by material false, but not fraudulent, statements made by the registrant in his application to register the mark?

2. Does the filing of an affidavit under Section 15 of the Trademark Act (15 U.S.C. 1065) with respect to a registration issued on an application containing false material statements made to the Patent Office become "incontestable" as against the first user and common law owner of the trademark?

3. Can a court decree that the first user and common law owner of a trademark does not have exclusive right to use said trademark because a competitor owns an "incontestable" registration obtained by making material false statements to the Patent Office?

4. Can a court order that a valid mark may be used by a competitor of the common law owner of said mark on the identical goods in the identical geographical area when the competitor never had any rights of ownership of the mark, and require each party to add an additional mark to indicate source of origin?

Statute Involved

The statute involved is the Federal Trademark Act of 1946, as amended (15 U.S.C. 1051-1127). Pertinent provisions are reproduced as Appendix E.

STATEMENT OF THE CASE

Respondent filed suit in the United States District Court for Nebraska charging petitioner with infringement of the trademark WRIST ROCKET, and unfair competition. Petitioner counterclaimed under 15 U.S.C. 1119 for a declaratory judgment that it, rather than respondent, was the equitable owner of Trademark Registration No. 792,882, and for damages resulting from false representations made to the Patent Office by the trademark applicant. Jurisdiction was present under 28 U.S.C. 1338(a).

The District Court held that petitioner is the sole lawful owner of the trademark WRIST ROCKET; that respondent's Trademark Registration No. 792,882 was procured by false statements to the Patent Office and that said registration should be cancelled; that petitioner could register the mark WRIST ROCKET; that respondent had engaged in trademark infringement by using the trademark WRIST ROCKET after January 19, 1972; and that petitioner was entitled to an award of damages (with the exception of attorneys' fees). Both parties appealed.

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The Court of Appeals reversed the District Court in part and held that a court cannot cancel, under 15 U.S.C. 1119, a trademark registration made incontestable pursuant to 15 U.S.C. 1115(b); and that the court could not enjoin further use of the registered mark by the registrant even though the registration was issued on an application with material false statements to the Patent Office. The Appeals Court affirmed the District Court's finding that petitioner is the common law owner of the mark, but reversed the District Court's holding that petitioner's right to use the mark is exclusive. The Appeals Court reversed the injunctive order against respondent and held that both parties have the right to use the mark WRIST ROCKET in the sale of wrist-braced slingshots in their respective areas and that purchaser confusion from this concurrent use can be obviated by each party adding an additional mark that identifies the source. The case was remanded to the District Court for further proceedings consistent with the opinion of the Appeals Court.

From 1954 until 1971 Charles Saunders (predecessor to petitioner) distributed an arm-braced slingshot manufactured by Howard Ellenburg (predecessor to respondent). In 1954 Saunders selected and first used the trademark WRIST ROCKET upon his slingshot. Both the District Court and the Court of Appeals held that Saunders was the sole lawful owner of the trademark WRIST ROCKET (App. 58 ¶2; App. 8).

In 1964 Howard Ellenburg filed an application for registration of the trademark WRIST ROCKET, stating the mark was first used on September 30, 1954, but Ellenburg did not use the mark in 1954; Ellenburg was relying upon Saunders' sales of WRIST ROCKET slingshots to get the benefit of trademark use for his application (T.

111-112, 141). On July 20, 1965, the Patent Office issued Registration No. 792,882 on the mark WRIST ROCKET to Ellenburg. An affidavit of "incontestability" was filed by Ellenburg on July 16, 1971.

The District Court found that falsity did exist in Ellenburg's application by misrepresentations made and by mutilated specimens submitted, but that there was no evidence of fraud on Ellenburg's behalf.

Saunders had no knowledge of Ellenburg's registration of the trademark WRIST ROCKET until late 1971, when a dispute arose between the parties over pricing policies. On October 19, 1971, Saunders sent Ellenburg a 30-day written notice of termination of their business relationship. After November 19, 1971, Saunders manufactured its own slingshots and continued to sell slingshots under the mark WRIST ROCKET.

After November 19, 1971 Ellenburg sold slingshots under the mark WRIST ROCKET. Ellenburg changed the corporate name of Trumark Manufacturing Co. on January 25, 1972 as Wrist Rocket Manufacturing Co. The District Court held that respondent was an implied licensee of petitioner and authorized to use the mark only as long as the business relationship continued plus a notice period, or until January 19, 1972.

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REASONS FOR GRANTING THE WRIT

I. There Is A Conflict In The Circuits

The decision below conflicts with the broad judicial powers given courts by the Trademark Act. Also the present Eighth Circuit decision conflicts with a relevant decision of the Sixth Circuit concerning the authority of the courts, under Section 37 of the Trademark Act (15 U.S.C. 1119), to cancel "incontestable" registrations for a reason not within the seven grounds for cancellation outlined in Section 33(b) of the Act (15 U.S.C. 1115). The District Court below determined it had the statutory authority to "rectify" the trademark register and to cancel an incontestable registration obtained by false, but not fraudulent, statements to the Patent Office.

Such judicial review of "incontestable" registrations was exercised by the Sixth Circuit in *Schwinn Bicycle Co.* v. *Murray Ohio Mfg. Co.*, 339 F. Supp. 973 (M.D. Tenn. 1971); affd. 470 F.2d 975 (6th Cir. 1972). The District Court in the Sixth Circuit held that a design mark, being functional, was not a true mark, and the nondisclosure of this functionality destroyed a prima facie presumption of validity of a nominally "incontestable" registration. Accordingly, cancellation was ordered for a reason not specifically enumerated in 15 U.S.C. 1115(b), the court stating:

> "Thus it is clear that an inherently defective trademark, one not entitled to registration with the Office of Patents as being an invalid mark at common law, is not rendered valid by becoming incontestable under §1115(b)." 339 F.Supp. 973, 982.

The District Court decision was affirmed *per curiam* 470 F.2d 975 (6th Cir. 1972). Similarly, in the instant case, Saunders as the first user, and exclusive owner, of the mark WRIST ROCKET under common law should not have such right to exclusivity negated because someone else improperly obtained a registration on which an affidavit of incontestability was later filed. In the instant case Ellenburg's false registration of the trademark WRIST ROCKET was void *ab initio*, so that his alleged right to use the mark could never become "incontestable."

The Court of Appeals for the Eighth Circuit, however, held that said Section 37 of the Trademark Act does not authorize courts to cancel incontestable registrations except on one of the seven grounds listed within Section 33(b) and reversed the District Court's order that respondent's registration on WRIST ROCKET be cancelled. "Fraud" is one of the listed grounds for cancellation; material misrepresentations to the Patent Office, short of the intent to defraud, is not a ground specifically listed in Section 33(b). The Circuit Court also reversed the District Court's exercise of its express statutory power under Section 37 (15 U.S.C. 1119) to "cancel registrations" and to "rectify" the register by holding petitioner had a right to register the mark WRIST ROCKET.

The Court of Appeals' reliance upon 15 U.S.C. 1115(b) as limiting a court's power under 15 U.S.C. 1119 to order cancellation of Ellenburg's false registration is not supported by any legislative history of the Trademark Act, or by comments upon this question published shortly after the Act came in force.[1] The principal Congressional au-

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[1] B. Diggins, *The Lanham Trade-Mark Act*, 35 Georgetown L.J. 147, 198-199 (1947); P. E. Williamson, Jr., *Trademarks Registered Under the Lanham Act Are Not "Incontestable"*, 37 T.M. Rep. 404, 443 (1947).

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thor of the Trademark Act, Representative Lanham, explained the effect of 15 U.S.C. 1115(b) [Section 33(b) of the Act] in commenting upon the Senate-House Conference Report:

> "It is clear from the language of the act and from the Congressional history of the act as it is found in the hearings and reports that the seven 'defenses or defects' listed under paragraph (b) of section 33 are intended to relate to and to affect the weight of the evidence to be given to the certificate of registration where the owner claims the benefit of the incontestable rule . . . but these *seven paragraphs are not intended to enlarge, restrict, amend, or modify the substantive law of trademarks either as set out in other sections of the act or as heretofore applied by the courts under prior laws.*" (Emphasis added). 92 Cong.Rec. 7524 (June 25, 1946)

A federal trademark registration becomes nominally "incontestable" after a registrant files in the Patent Office an ex parte affidavit pursuant to Section 15 of the Trademark Act (15 U.S.C. 1065). Under this ex parte process a Trademark Examiner must rely upon the accurateness and completeness of an applicant's submissions to establish that the applicant possesses common law rights worthy of protection by federal registration.[2] Judicial review is the only method available to counterbalance this ex parte procedure for obtaining "incontestable" federal registrations. Congress has thus authorized the federal courts to cancel registrations and to otherwise rectify the federal trademark register pursuant to 15 U.S.C. 1119 (Section 37 of the Trademark Act). Section 37 does not specifically exclude "incontestable" registration from the reach of the broad powers it grants to the courts, and "incontestable"

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[2] R. T. Bryan, *Fraud in Trademark Procurement and Maintenance*, 61 T.M. Rep. 1, 2 (1971).

registrations should not be excluded because both the registration itself as well as "incontestability" are obtained through an ex parte process in the Patent Office.[3]

It is clear that Ellenburg's registration of the trademark WRIST ROCKET, even though nominally incontestable under 15 U.S.C. 1115(b), deserves cancellation because Ellenburg had no common law right to use the mark. Moreover, if Ellenburg had disclosed the facts to the Patent Office, no registration on WRIST ROCKET would have issued to him; the application would have have been deemed void ab initio: *Coahoma Chemical Co., Inc.* v. *Smith*, 113 U.S.P.Q. 413 (Comr. Pats. 1957); affd. 264 F.2d 916, 121 U.S.P.Q. 215 (CCPA 1959); *Johnson & Johnson* v. *Stratford-Cookson Co.*, 185 U.S.P.Q. 511 (TTAB 1975). The holding of the court below will encourage dishonesty and misrepresentations by applicants for registration of trademarks, since it provides a means by which false statements to the Patent Office become insulated from attack five years after a mark has been registered. The instant case affords this Honorable Court an opportunity to demonstrate that such false statements *are* subject to correction by the courts, even after a trademark registration has become nominally "incontestable."

We submit that the decisions of the Sixth Circuit in the *Schwinn* case and the District Court here below are consistent with the broad statutory powers intended by Congress to be given to the courts. The Eighth Circuit's limitation of judicial supervision over the Patent Office unduly deprives federal courts of needed power to "rectify" the trademark register. This Court ought to settle the conflict.

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[3] *Duffy-Mott Company, Inc.* v. *Cumberland Packing Co.*, 424 F.2d 1095 (CCPA 1970).

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II. An Important Issue Of Public Policy Under The Federal Trademark Law Has Never Been, But Should Be, Settled By This Court.

This is a case of first instance. Never before did any court compel the sole common law owner of a valid trademark to give up its exclusive right of use of its mark. The Eighth Circuit authorized use of the identical mark on the identical goods in the identical geographical area by the common law owner's competitor, who never had an independent right to use said mark, but did own an "incontestable registration" obtained by material false representations made to the Patent Office.

This Circuit Court decision ignored the fundamental policy of our trademark laws that rights of ownership and use confer the *exclusive* right to continue to use said mark. As one commentator in the field of trademark law has written:

> "Trademark rights arise out of appropriation and use, and the exclusive right to a distinctive mark belongs to the one who first appropriates and uses it in connection with a particular business." 3 Callman, *The Law of Unfair Competition and Trademarks* (3 ed. 1969), §76.1.

The Federal trademark law is predicated on the principle that the right to a trademark is not acquired by registration but stems from prior appropriation and use: *Tillamook County Cream Assn.* v. *Tillamook Cheese & D. Assn.*, 345 F.2d 158, 160, 161 (9th Cir. 1965). Consistent with this basic tenet, both courts below held that petitioner is the sole common law owner of the mark. Petitioner as the first user, and exclusive owner of the mark WRIST ROCKET under common law, should not have such right of exclusivity nullified by the Eighth Circuit giving respondent the right to use this same mark because respon-

dent improperly obtained a registration for which an ex parte affidavit of incontestability had been filed.

The consequences of the Appeals decision that both parties, competitors in the sale of slingshots throughout the country, may use the same WRIST ROCKET mark destroys the effect of the trademark as a symbol of origin. The Court's attempt to obviate consumer confusion by requiring each party to add *another* mark reinforces our contention that the Appeals Court is destroying the admittedly valid WRIST ROCKET mark, which both courts held belonged to petitioner. In effect the Appeals decision is decreeing a kind of concurrent use but the Patent Office would never issue two registrations on the identical mark to two parties for use on the identical goods in the identical geographical area.

The public is involved in issues of trademark policy, and the public suffers when a trademark cannot be relied on for uniformity of quality signifying a single source of origin. The supervision of this Court is necessary to prevent distortion of trademark law as set forth in the Eighth Circuit opinion.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari to review the judgment of the Court of Appeals for the Eighth Circuit should be granted.

Respectfully submitted,

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